

BRECKINRIDGE COUNTY SCHOOL DISTRICT

**REPORT ON AUDIT OF COMPREHENSIVE
ANNUAL FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES**

FOR THE YEAR ENDED JUNE 30, 2008

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
TABLE OF CONTENTS**

Independent Auditors' Report	1 – 2
Management's Discussion and Analysis – Unaudited	3 – 6
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	7
Statement of Activities	8
Fund Financial Statements:	
Balance Sheet – Governmental Funds	9
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	10 – 11
Statement of Net Assets – Proprietary Fund	12
Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Fund	13
Statement of Cash Flows – Proprietary Fund	14
Statement of Fiduciary Net Assets – Fiduciary Fund	15
Notes to Basic Financial Statements	16 – 34
Required Supplementary Information:	
Budgetary Comparison Schedule – General Fund	35
Budgetary Comparison Schedule – Special Revenue Fund	36
Notes to Required Supplementary Information	37

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
TABLE OF CONTENTS**

Supplementary Information:

Combining Balance Sheet – Capital Project Funds	38
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Capital Project Funds	39
Statement of Receipts, Disbursements, and Fund Balances:	
Breckinridge County High School Activity Fund	40
Activity Funds by School	41
Financial Status Report – Head Start	42
Board Members and Administrative Personnel	43
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	44 – 45
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	46 – 47
Schedule of Expenditures of Federal Awards	48
Notes to Schedule of Expenditures of Federal Awards	49
Schedule of Findings and Questioned Costs	50 – 56
Summary Schedule of Prior Audit Findings	57
Corrective Action Plan	58
Management Letter Points	59 – 65



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INDEPENDENT AUDITORS' REPORT

Kentucky State Committee for School District Audits
Members of the Board of Education
Breckinridge County School District
Hardinsburg, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Breckinridge County School District (District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the provisions of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I of the *Independent Auditor's Contract - General Audit Requirements*, Appendix II of the *Independent Auditor's Contract - State Audit Requirements*, and Appendix III of the *Independent Auditor's Contract - Electronic Submission*. These require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Breckinridge County School District as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have issued our report dated October 27, 2008 on our consideration of Breckinridge County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis - Unaudited on pages 3 through 6 and budgetary comparison information on pages 35 and 36 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The additional information shown on pages 38 through 43 and the accompanying Schedule of Expenditures of Federal Awards, required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The information on pages 38 through 41 and the accompanying Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole, except that the statements of receipts, disbursements, and fund balances of the school activity funds on pages 40 and 41 are presented on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The information on pages 42 and 43 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

This report is intended solely for the information of members of the Kentucky State Committee for School District Audits, the members of the Board of Education of Breckinridge County School District, management, the Kentucky Department of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Drane & Company, PLLC

Drane & Company, PLLC
Certified Public Accountants

October 27, 2008

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2008**

As management of the Breckinridge County School District (District), we offer readers of the District's financial statements this overview and analysis of the financial activities for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The beginning cash balance for the District was \$13,304,681
- The board initiated a major renovation to the middle school, which included HVAC and controls replacement and other site development.
- The general fund recognized revenue of \$19,955,220, which primarily consisted of the state program (SEEK), on-behalf payments from the state, property taxes, utility taxes, and motor vehicle taxes. In addition, the general fund incurred \$18,145,786 in expenditures, which produced \$1,809,434 in excess revenue.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

District-wide financial statements

The district-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with a difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The district-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt are also supported by taxes and intergovernmental revenues.

The district-wide financial statements can be found on pages 7 and 8 of this report.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been designated for specific activities or objectives. This is a state mandated uniform system for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The funds of the District can be divided into two categories: governmental and proprietary. The only proprietary fund is our food service operation. All other activities of the District are included in the governmental funds.

The basic fund financial statements can be found on pages 9 through 15 of this report.

Notes to financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements.

The notes to the financial statements can be found on pages 16 through 34 of this report.

DISCUSSION OF THE DISTRICT-WIDE FINANCIAL STATEMENTS

Net assets increased by 6% from fiscal year 2007 to fiscal year 2008. Total assets exceeded total liabilities by \$26,521,064 as of June 30, 2008.

The largest portion of the District's net assets reflects its investment in capital assets (e.g., land, buildings, vehicles, and equipment) less any related debt used to acquire those assets that is currently outstanding. The District uses these capital assets to provide services to its students. Consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources because the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

The following shows a comparison of total net assets and statement of activities between Fiscal year 2007 and Fiscal year 2008:

STATEMENT OF NET ASSETS COMPARISON

	2007	2008	%CHG
Current assets	\$14,293,460	\$17,583,247	23%
Non-current assets	\$23,079,978	\$24,814,759	8%
Total assets	\$37,373,438	\$42,398,006	13%
Current liabilities	\$3,102,499	\$4,450,918	44%
Non-current liabilities	\$9,205,027	\$11,426,024	24%
Total liabilities	\$12,307,526	\$15,876,942	29%

Net assets

Capital Assets (net of related debt)	\$13,340,060	\$12,652,133	(5%)
Restricted	\$986,779	\$2,049,315	108%
Unreserved fund balance	\$10,739,073	\$11,819,616	10%
Total net assets	\$25,065,912	\$26,521,064	6%

STATEMENT OF ACTIVITIES COMPARISON

Revenue	2007	2008	%CHG
<i>Program Revenues:</i>			
Charges for services	\$749,394	\$722,224	(4%)
Operating grants and contributions	\$15,224,358	\$16,823,779	11%
Capital grants and contributions	\$831,558	\$612,167	(26%)
<i>General Revenues:</i>			
Property Taxes	\$3,094,181	\$3,432,457	11%
Other Taxes	\$1,286,459	\$1,324,357	3%
State Aid	\$3,353,300	\$3,580,273	7%
Interest and Other Income	\$1,065,407	\$677,172	(36%)
Disposal of Fixed Assets	\$(85)	\$(31,812)	N/A
Total revenues	\$25,604,572	\$27,140,617	6%
 Expenses			
Instruction	\$12,852,015	\$14,061,556	9%
Student support services	\$688,270	\$731,308	6%
Staff support services	\$883,775	\$955,940	8%
District administration	\$1,510,956	\$1,563,124	3%
School administration	\$1,280,029	\$1,400,958	9%
Business support services	\$576,219	\$611,556	6%
Plant operation and maintenance	\$1,997,544	\$2,044,935	2%
Student transportation	\$1,671,021	\$1,817,832	9%
Community service organizations	\$361,169	\$379,373	5%
Bond Costs Amortization	\$11,586	\$12,736	10%
Interest on Long-term Debt	\$378,490	\$360,033	(5%)
Food service	\$1,621,803	\$1,746,114	8%
Total expenses	\$23,832,877	\$25,685,465	8%
Revenues in excess of expenses	\$1,771,695	\$1,455,152	(18%)

COMMENTS ON BUDGET COMPARISON

- General fund budget revenue compared to actual revenue varied from line item to line item with the actual balance exceeding the budgeted balance by \$1,838,428.
- General fund budget expenditures compared to actual expenditures varied from line item to line item. However, actual expense was below budgeted expense by \$3,184,284.

BUDGETARY IMPLICATIONS

In Kentucky, the public school fiscal year is July 1 through June 30; other programs operate on a different fiscal calendar, but are reflected in the district overall budget. By law, the budget must have a minimum 2% contingency.

Questions regarding this report should be directed to the following:

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86 Airport Road
Hardinsburg, KY 40143
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Michael Moreland, District Finance Officer
86 Airport Road
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BRECKINRIDGE COUNTY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>Assets</u>			
Current Assets			
Cash and cash equivalents	\$ 16,077,099	\$ 478,898	\$ 16,555,997
Accounts receivable:			
Taxes	252,668	-	252,668
Other	9,707	-	9,707
Intergovernmental	700,850	11,904	712,754
Inventory	-	25,915	25,915
Prepaid expenses	26,206	-	26,206
Total Current Assets	<u>17,066,530</u>	<u>516,717</u>	<u>17,583,247</u>
Noncurrent Assets			
Bond discounts and issue costs, net of accumulated amortization of \$58,228	214,843	-	214,843
Capital assets	42,096,654	900,872	42,997,526
Less: accumulated depreciation	(17,703,634)	(693,976)	(18,397,610)
Total Noncurrent Assets	<u>24,607,863</u>	<u>206,896</u>	<u>24,814,759</u>
Total Assets	<u>41,674,393</u>	<u>723,613</u>	<u>42,398,006</u>
<u>Liabilities</u>			
Current Liabilities			
Accounts payable	1,339,844	388	1,340,232
Accrued payroll and related expenses	1,966,312	93,447	2,059,759
Deferred revenues	151,815	-	151,815
Current portion of bond obligations	710,000	-	710,000
Current portion of capital lease obligations	32,752	-	32,752
Current portion of accrued sick leave	28,139	-	28,139
Interest payable	128,221	-	128,221
Total Current Liabilities	<u>4,357,083</u>	<u>93,835</u>	<u>4,450,918</u>
Noncurrent Liabilities			
Noncurrent portion of bond obligations	11,110,000	-	11,110,000
Noncurrent portion of capital lease obligations	95,031	-	95,031
Noncurrent portion of accrued sick leave	220,993	-	220,993
Total Noncurrent Liabilities	<u>11,426,024</u>	<u>-</u>	<u>11,426,024</u>
Total Liabilities	<u>15,783,107</u>	<u>93,835</u>	<u>15,876,942</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	12,445,237	206,896	12,652,133
Restricted for capital projects	2,049,315	-	2,049,315
Unrestricted	11,396,734	422,882	11,819,616
Total Net Assets	<u>\$ 25,891,286</u>	<u>\$ 629,778</u>	<u>\$ 26,521,064</u>

The accompanying notes are an integral part of this financial statement.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities							
Instruction	\$ 14,061,556	\$ 113,095	\$ 15,619,170	\$ 12,393	\$ 1,683,102	\$ -	\$ 1,683,102
Support services:							
Student	731,308	6,359	-	-	(724,949)	-	(724,949)
Instructional staff	955,940	-	-	-	(955,940)	-	(955,940)
District administration	1,563,124	-	-	-	(1,563,124)	-	(1,563,124)
School administration	1,400,958	-	-	-	(1,400,958)	-	(1,400,958)
Business	611,556	-	-	-	(611,556)	-	(611,556)
Plant operations and maintenance	2,044,935	1,000	-	599,774	(1,444,161)	-	(1,444,161)
Student transportation	1,817,832	108,642	-	-	(1,709,190)	-	(1,709,190)
Community services	379,373	-	-	-	(379,373)	-	(379,373)
Food service	886	-	-	-	(886)	-	(886)
Bond costs amortization	12,736	-	-	-	(12,736)	-	(12,736)
Interest on long-term debt	360,033	-	-	-	(360,033)	-	(360,033)
Total Governmental Activities	23,940,237	229,096	15,619,170	612,167	(7,479,804)	-	(7,479,804)
Business-Type Activities							
Food service	1,745,228	493,128	1,204,609	-	-	(47,491)	(47,491)
Total Business-Type Activities	1,745,228	493,128	1,204,609	-	-	(47,491)	(47,491)
Total Primary Government	\$ 25,685,465	\$ 722,224	\$ 16,823,779	\$ 612,167	\$ (7,479,804)	\$ (47,491)	\$ (7,527,295)
General Revenues							
Taxes:							
Property					\$ 3,432,457	\$ -	\$ 3,432,457
Motor vehicle					558,059	-	558,059
Utility					766,298	-	766,298
Interest income					434,197	14,438	448,635
State aid - formula grants					3,580,273	-	3,580,273
Other income					228,537	-	228,537
Disposal of fixed assets					(31,572)	(240)	(31,812)
Total General Revenues					8,968,249	14,198	8,982,447
Changes in Net Assets					1,488,445	(33,293)	1,455,152
Net Assets - Beginning of Year					24,402,841	663,071	25,065,912
Net Assets - End of Year					\$25,891,286	\$ 629,778	\$26,521,064

The accompanying notes are an integral part of this financial statement.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008**

	General Fund	Special Revenue (Grant) Fund	Capital Project Funds	Total Governmental Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 12,794,715	\$ -	\$ 3,287,700	\$ 16,082,415
Accounts receivable:				
Taxes	252,668	-	-	252,668
Other	1,081	-	8,626	9,707
Intergovernmental	-	700,850	-	700,850
Prepaid expenses	26,206	-	-	26,206
Total Assets	\$ 13,074,670	\$ 700,850	\$ 3,296,326	\$ 17,071,846
<u>Liabilities</u>				
Bank overdraft	\$ -	\$ 5,316	\$ -	\$ 5,316
Accounts payable	88,508	4,325	1,247,011	1,339,844
Accrued payroll and related expenses	1,506,813	459,499	-	1,966,312
Deferred revenues	-	151,815	-	151,815
Total Liabilities	1,595,321	620,955	1,247,011	3,463,287
<u>Fund Balances</u>				
Reserved	7,420,538	79,895	2,049,315	9,549,748
Unreserved	4,058,811	-	-	4,058,811
Total Fund Balances	11,479,349	79,895	2,049,315	13,608,559
Total Liabilities and Fund Balances	\$ 13,074,670	\$ 700,850	\$ 3,296,326	\$ 17,071,846

Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities

Total Governmental Fund Balances	\$ 13,608,559
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	24,393,020
Bond discounts and issue costs are financial uses and are reported as expenditures in governmental funds. This amount is capitalized in the district-wide financial statements and expensed over the life of the bond.	214,843
Certain liabilities, such as bond obligations, capital lease obligations, accrued sick leave, and interest payable, are not due and payable in the current period and therefore are not reported in the governmental funds.	(12,325,136)
Total Net Assets of Governmental Activities	\$ 25,891,286

The accompanying notes are an integral part of this financial statement.

BRECKINRIDGE COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>General Fund</u>	<u>Special Revenue (Grant) Fund</u>	<u>Capital Project Funds</u>	<u>Total Governmental Funds</u>
Revenues				
From local sources:				
Taxes:				
Property	\$ 3,013,142	\$ -	\$ 419,315	\$ 3,432,457
Motor vehicle	558,059	-	-	558,059
Utility	766,298	-	-	766,298
Tuition and textbook fees	6,359	113,095	-	119,454
Transportation reimbursement	108,642	-	-	108,642
Interest income	384,462	-	49,735	434,197
Donations/grants	12,393	-	-	12,393
Other income	221,905	82,964	-	304,869
Intergovernmental - state	14,868,455	871,570	599,774	16,339,799
Intergovernmental - indirect federal	-	2,218,699	-	2,218,699
Intergovernmental - direct federal	15,505	937,914	-	953,419
Total Revenues	<u>19,955,220</u>	<u>4,224,242</u>	<u>1,068,824</u>	<u>25,248,286</u>
Expenditures				
Current:				
Instruction	10,523,320	3,186,702	-	13,710,022
Support services:				
Student	549,304	181,905	-	731,209
Instructional staff	286,632	671,060	-	957,692
District administration	925,060	22,510	24,346	971,916
School administration	1,447,818	-	-	1,447,818
Business	569,950	41,606	-	611,556
Plant operations and maintenance	2,308,737	18,403	-	2,327,140
Student transportation	1,495,532	55,895	-	1,551,427
Community services	-	379,373	-	379,373
Food service	886	-	-	886
Capital outlay	-	-	2,641,251	2,641,251
Debt service:				
Payment of principal	31,512	-	478,438	509,950
Payment of interest	7,035	-	274,624	281,659
Total Expenditures	<u>18,145,786</u>	<u>4,557,454</u>	<u>3,418,659</u>	<u>26,121,899</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,809,434</u>	<u>(333,212)</u>	<u>(2,349,835)</u>	<u>(873,613)</u>
Other Financing Sources (Uses)				
Net bond proceeds	-	-	2,913,044	2,913,044
Operating transfers in	-	313,643	1,365,773	1,679,416
Operating transfers out	(812,970)	-	(866,446)	(1,679,416)
Proceeds from sale of fixed assets	880	-	-	880
Total Other Financing Sources (Uses)	<u>(812,090)</u>	<u>313,643</u>	<u>3,412,371</u>	<u>2,913,924</u>
Net Changes in Fund Balances	997,344	(19,569)	1,062,536	2,040,311
Fund Balances - Beginning of Year	<u>10,482,005</u>	<u>99,464</u>	<u>986,779</u>	<u>11,568,248</u>
Fund Balances - End of Year	<u>\$ 11,479,349</u>	<u>\$ 79,895</u>	<u>\$ 2,049,315</u>	<u>\$ 13,608,559</u>

The accompanying notes are an integral part of this financial statement.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES-GOVERNMENTAL FUNDS WITH THE STATEMENT OF ACTIVITIES**

Net Changes in Fund Balances - Total Governmental Funds **\$2,040,311**

Amounts reported for governmental activities in the Statement of Activities
are different because:

Governmental funds report capital outlay as expenditures. However, in the
Statement of Activities, the cost of those assets is allocated over their
estimated useful lives as depreciation expense. This is the amount by
which capital outlay exceeded depreciation in the current period. 1,734,276

Governmental funds only report the disposal of assets to the extent
proceeds are received from the sale. In the Statement of Activities, a gain
or loss is reported for each disposal. This is the book value of the
disposed assets. (32,452)

Repayment of bond principal is an expenditure in the governmental funds,
but the repayment reduces long-term liabilities in the Statement of Net
Assets and does not affect the Statement of Activities. 509,950

Bond discounts and issue costs are reported as financing uses in
governmental funds and thus contribute to the change in fund balance. In
the Statement of Activities, these costs are capitalized and amortized over
the life of the respective bond. (12,736)

The increased amount of interest reported in the Statement of Activities is
the result of the following:

Interest is recorded as an expenditure when due in the governmental
funds and as it accrues in the Statement of Activities. (17,969)

School Facility Construction Commission is included in program
expenses. (60,405)
(78,374)

In the Statement of Activities, sick leave is measured by the amount
earned during the year. In governmental funds, however, expenditures for
this item are measured by the amount actually paid. 28,549

Bond proceeds are reported as financing sources in governmental funds
and thus contribute to the change in fund balance. In the Statement of Net
Assets, issuing debt increases the long-term liabilities and does not affect
the Statement of Activities. (2,913,044)

In the Statement of Activities, the portion of debt paid by the School Facility
Construction Commission is included in program revenues. 211,965

Change in Net Assets of Governmental Activities **\$1,488,445**

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2008**

	<u>Enterprise Fund</u>
<u>Assets</u>	
Current Assets	
Cash and cash equivalents	\$ 478,898
Intergovernmental receivable	11,904
Inventory	<u>25,915</u>
Total Current Assets	<u>516,717</u>
Noncurrent Assets	
Capital assets	900,872
Less: accumulated depreciation	<u>(693,976)</u>
Total Noncurrent Assets	<u>206,896</u>
Total Assets	<u><u>\$ 723,613</u></u>
<u>Liabilities</u>	
Current Liabilities	
Accounts payable	\$ 388
Accrued payroll and related expenses	<u>93,447</u>
Total Current Liabilities	<u>93,835</u>
<u>Net Assets</u>	
Invested in capital assets	206,896
Unrestricted	<u>422,882</u>
Total Net Assets	<u>629,778</u>
Total Liabilities and Net Assets	<u><u>\$ 723,613</u></u>

The accompanying notes are an integral part of this financial statement.

BRECKINRIDGE COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Enterprise Fund</u>
Operating Revenues	
Lunchroom sales	\$ 493,128
Total Operating Revenues	<u>493,128</u>
Operating Expenses	
Salaries and wages	737,485
Contract services	44,029
Materials and supplies	906,361
Depreciation	47,570
Other operating expenses	9,783
Total Operating Expenses	<u>1,745,228</u>
Operating Loss	<u>(1,252,100)</u>
Non-operating Revenues	
Federal grants	1,000,123
State grants	106,328
Donated commodities	98,158
Interest income	14,438
Loss on disposal of fixed assets	(240)
Total Non-operating Revenues	<u>1,218,807</u>
Change in Net Assets	(33,293)
Total Net Assets - Beginning of Year	<u>663,071</u>
Total Net Assets - End of Year	<u><u>\$ 629,778</u></u>

The accompanying notes are an integral part of this financial statement.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Enterprise Fund</u>
Cash Flows from Operating Activities	
Cash received from user charges	\$ 493,128
Cash payments to employees for services	(731,022)
Cash payments for contract services	(44,029)
Cash payments to suppliers for goods and services	(786,162)
Cash payments for other operating expenses	(9,783)
Net Cash Used by Operating Activities	<u>(1,077,868)</u>
Cash Flows from Capital and Related Financing Activities	
Acquisition of capital assets	(1,547)
Federal grants	988,220
State grants	106,328
Net Cash Provided by Capital and Related Financing Activities	<u>1,093,001</u>
Cash Flows from Investing Activities	
Interest income	14,438
Net Increase in Cash and Cash Equivalents	29,571
Cash and Cash Equivalents - Beginning of Year	449,327
Cash and Cash Equivalents - End of Year	<u>\$ 478,898</u>
Reconciliation of operating loss to net cash used by operating activities	
Operating loss	\$ (1,252,100)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	47,570
Commodities used	98,158
Changes in assets and liabilities:	
Decrease in inventory	22,551
Decrease in accounts payable	(510)
Increase in accrued payroll	6,463
Net Cash Used by Operating Activities	<u>\$ (1,077,868)</u>
Schedule of non-cash transactions	
Donated commodities received from federal government	<u>\$ 98,158</u>

The accompanying notes are an integral part of this financial statement.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2008**

	<u>Agency Fund</u>
<u>Assets</u>	
Current Assets	
Cash and cash equivalents	\$ 200,792
Accounts receivable	<u>757</u>
Total Current Assets	<u><u>\$ 201,549</u></u>
<u>Liabilities</u>	
Current Liabilities	
Accounts payable	\$ 16,289
Due to students and teachers	<u>185,260</u>
Total Current Liabilities	<u>201,549</u>
Net Assets Held in Trust	<u><u>\$ -</u></u>

The accompanying notes are an integral part of this financial statement.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The Breckinridge County Board of Education (Board), a five-member group, is the level of government, which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Breckinridge County School District (District). The District receives funding from Local, State and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision-making authority, the power to designate management, the responsibility to develop policies that may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds relevant to the operation of the Breckinridge County Board of Education. The basic financial statements presented herein do not include funds of groups and organizations, such as Band Boosters, Parent-Teacher Organizations, etc., which although associated with the school system, have not originated within the Board itself.

The basic financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding, and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization is included in the accompanying basic financial statements:

Breckinridge County School District Finance Corporation

On October 22, 1991, the Breckinridge County Board of Education resolved to authorize the establishment of the Breckinridge County School District Finance Corporation (Corporation) (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act, KRS 273, and KRS Section 58.180) as an agency for the District for financing the costs of school building facilities. The board members of the Breckinridge County Board of Education also comprise the Corporation's Board of Directors.

The accounting policies of the Breckinridge County School District Finance Corporation substantially comply with the rules prescribed by the Kentucky Department of Education for local school districts.

Basis of Presentation

Government-Wide Financial Statements - The Statement of Net Assets and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REPORTING ENTITY (CONTINUED)

Basis of Presentation (Continued)

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the Proprietary Fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than fund types. Each major fund is presented in a separate column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures, and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

I. Governmental Fund

- (A) The General Fund is the main operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REPORTING ENTITY (CONTINUED)

Basis of Presentation (Continued)

- (B) The Special Revenue (Grant) Fund accounts for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report.
- (C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds (unless authorized for retention in the General Fund) and is generally restricted for use in financing projects identified in the district's facility plan.
 - 2. The Facility Support Program of Kentucky (FSPK) Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan.
 - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.

II. Proprietary Fund (Enterprise Fund)

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U. S. Department of Agriculture (USDA).

The District applies all Governmental Accounting Standards Board (GASB) pronouncements to the Proprietary Fund as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REPORTING ENTITY (CONTINUED)

Basis of Presentation (Concluded)

III. Fiduciary Fund (Agency Fund)

The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These activities are accounted for in accordance with the *Uniform Program of Accounting for School Activity Funds*.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions - Revenues resulting from exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from non-exchange transactions must also be available before it can be recognized.

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REPORTING ENTITY (CONTINUED)

Basis of Accounting (Concluded)

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Fund as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Property Taxes

Property taxes are levied each October on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings, which are mailed by November 1, are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. A discount is offered through November 30 and a penalty is assessed after December 31. Property taxes collected are recorded as revenues in the fiscal year for which they were levied.

The property tax rates assessed for the year ended June 30, 2008, to finance the General Fund operations were \$.450 per \$100 valuation for real property, \$.450 per \$100 valuation for business personal property, and \$.557 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic communication services, cablevision services, electric power, water, and natural gas.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the Proprietary Fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Assets but are not reported in the fund financial statements. Capital assets utilized by the Proprietary Fund are reported both in the business-type activities column of the government-wide Statement of Net Assets and in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000; however, the threshold for technology items is \$500, with the exception of workstations and theft-sensitive items, for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized, but the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REPORTING ENTITY (CONTINUED)

Capital Assets (Concluded)

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Technology equipment	5 years
Vehicles	5-10 years
Food service equipment	5-12 years
General equipment	5-20 years
Land improvements	10-20 years
Buildings	25-50 years

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as due to/from other funds. Unless there are net residual amounts due between governmental and business-type activities, these amounts are eliminated in the Statement of Net Assets.

Accumulated Unpaid Sick Leave Benefits

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments. The entire compensated absence liability is reported on the government-wide financial statements.

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than accounting principles generally accepted in the United States of America (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP). Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REPORTING ENTITY (CONTINUED)

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of goods or services. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year. A reservation of fund balance equal to outstanding encumbrances at year-end is provided for at June 30, 2008.

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less to be cash equivalents.

Inventory

Supplies and materials are charged to expenditures when purchased, with the exception of the Proprietary Fund, which records inventory using the accrual basis of accounting. Inventory in this fund consists of food and supplies and is stated at cost.

Prepaid Expenses

Payments made that will benefit periods beyond June 30, 2008 are recorded as prepaid expenses using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase, and an expenditure/expense is reported in the year in which services are consumed.

Payables, Accrued Liabilities, and Long-Term Obligations

Payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements and in the Proprietary Fund financial statements.

In general, payables, accrued liabilities, and long-term obligations that will be paid from governmental funds are reported on the government-wide financial statements regardless of whether they will be liquidated with current resources. However, these amounts are not recognized as liabilities in the fund financial statements until due.

Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity that is available for appropriation in future periods.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

REPORTING ENTITY (CONCLUDED)

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Interfund Activity

Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds.

NOTE B - ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE C - CASH AND CASH EQUIVALENTS

At June 30, 2008, the reported amount of the District's deposits was \$16,756,789 and the bank balance was \$17,435,064. Deposits of the District are categorized below to give an indication of the level of risk assumed at year-end. Amounts listed represent cash balances as reflected by the financial institutions and are not indicative of balances per the District's records. Category A includes deposits that are uninsured and collateralized with securities held by the pledging financial institution. Category B includes cash that is uninsured and uncollateralized. The District does not have policies regarding custodial credit risk.

	<u>A</u>	<u>B</u>
District	\$13,842,455	\$3,087,920

Cash and cash equivalents at June 30, 2008, consisted of the following:

	<u>Bank Balance</u>	<u>Book Balance</u>
Governmental and proprietary funds	\$17,230,375	\$16,555,997
Fiduciary funds	204,689	200,792
	<u>\$17,435,064</u>	<u>\$16,756,789</u>

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE D - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Governmental Activities				
Not Depreciated:				
Land	\$ 451,448	\$ -	\$ -	\$ 451,448
Construction in progress	222,557	2,627,380	263,087	2,586,850
Subtotal	674,005	2,627,380	263,087	3,038,298
Depreciated:				
Land improvements	3,273,583	-	-	3,273,583
Buildings	25,823,648	479,964	-	26,303,612
Technology equipment	3,237,070	280,288	689,566	2,827,792
Vehicles	4,352,374	-	37,000	4,315,374
General equipment	2,241,833	148,070	51,908	2,337,995
Subtotal	38,928,508	908,322	778,474	39,058,356
Less accumulated depreciation for:				
Land improvements	2,298,903	116,788	-	2,415,691
Buildings	8,382,597	588,534	-	8,971,131
Technology equipment	2,142,930	418,214	679,868	1,881,276
Vehicles	2,670,085	303,529	37,000	2,936,614
General equipment	1,416,802	111,274	29,154	1,498,922
Subtotal	16,911,317	1,538,339	746,022	17,703,634
Capital Assets - Net	\$22,691,196	\$1,997,363	\$295,539	\$24,393,020
Business-Type Activities				
Depreciated:				
General equipment	\$883,611	\$ -	\$7,650	\$875,961
Technology equipment	23,743	1,547	379	24,911
Subtotal	907,354	1,547	8,029	900,872
Less accumulated depreciation for:				
General equipment	647,904	42,661	7,650	682,915
Technology equipment	6,291	4,909	139	11,061
Subtotal	654,195	47,570	7,789	693,976
Capital Assets - Net	\$253,159	\$(46,023)	\$ 240	\$206,896

Depreciation expense was charged to functions in the Statement of Activities as follows:

Instruction	\$ 557,091
Support services:	
Student	100
District administration	606,991
Plant operations and maintenance	97,027
Student transportation	277,130
	<u>\$1,538,339</u>

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE E - BOND OBLIGATIONS

A portion of the amount shown in the accompanying financial statements as bond obligations represents the District's future obligations to make payments relating to the bonds issued by the Breckinridge County (Kentucky) School District Finance Corporation aggregating \$14,410,000.

The District is obligated to make lease payments through the General Fund and the SEEK Capital Outlay Fund in amounts sufficient to satisfy debt service requirements on bonds issued by the Breckinridge County (Kentucky) School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

The original amount of the bond issues, the issue dates, interest rates, and outstanding balances at June 30, 2008 are summarized below:

1999

Issuer	Breckinridge County (Kentucky) School District Finance Corporation (BC SDFC)
Date of first issue	May 1, 1999
Interest rates	4% to 4.75%
Date retiring bonds due	May 1 each year
Dates interest due	May 1 and November 1 each year
Call provisions	@ 101 May 1, 2009
Amount of original issue	\$2,155,000
Outstanding, June 30, 2008	\$1,410,000

2000

Issuer	BC SDFC
Date of first issue	December 1, 2000
Interest rates	5%; 5.15%
Date retiring bonds due	December 1 each year
Dates interest due	December 1 and June 1 each year
Amount of original issue	\$1,720,000
Outstanding, June 30, 2008	\$1,380,000

2003

Issuer	BC SDFC
Date of first issue	July 1, 2003
Interest rates	1.2% to 4%
Date retiring bonds due	February 1 each year
Dates interest due	February 1 and August 1 each year
Amount of original issue	\$6,795,000
Outstanding, June 30, 2008	\$5,350,000

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE E - BOND OBLIGATIONS (CONTINUED)

2004

Issuer	BC SDFC
Date of first issue	February 1, 2004
Interest rates	2.5% to 4.4%
Date retiring bonds due	February 1 each year
Dates interest due	February 1 and August 1 each year
Amount of original issue	\$735,000
Outstanding, June 30, 2008	\$675,000

2008

Issuer	BC SDFC
Date of first issue	April 1, 2008
Interest rates	2.75% to 3.85%
Date retiring bonds due	April 1 each year
Dates interest due	April 1 and October 1 each year
Amount of original issue	\$3,005,000
Outstanding, June 30, 2008	\$3,005,000

On May 1, 1999, the Breckinridge County School District issued \$2,155,000 in School Building Revenue Bonds with an average interest rate of 4.3825%. The net proceeds of \$2,099,244 (after payment of \$25,720 in fiscal agency fees and \$38,298 of discount on bonds plus \$8,262 in accrued interest) were used to provide \$2,090,982 for construction of an addition to Custer Elementary School and \$8,262 to open the Bond and Redemption Fund for the 1999 Issue.

On December 1, 2000, the District issued \$1,720,000 in School Building Revenue Bonds with an average interest rate of 5.0793%. The net proceeds of \$1,664,490 (after payment of \$25,700 in fiscal agency fees and \$34,400 of discount on bonds plus \$4,590 in accrued interest) were used to provide \$1,238,500 for construction of an addition to Ben Johnson Elementary School, \$421,400 for renovations to Hardinsburg Elementary School, and \$4,590 to open the Bond and Redemption Fund for the 2000 Issue.

On July 1, 2003, the District issued \$6,795,000 in School Building Revenue Bonds with interest rates ranging from 1.2% to 4% to advance refund \$6,385,000 of outstanding 1994 series bonds. The net proceeds of \$6,663,048 (after payment of \$109,813 in fiscal agency fees and \$42,020 of discount on bonds plus \$19,881 in accrued interest) were used to provide \$6,640,876 to refund outstanding revenue bonds issued in 1994 and \$22,172 to open the Bond and Redemption Fund for the 2003 Issue.

On February 1, 2004, the District issued \$735,000 in School Building Revenue Bonds with interest rates ranging from 2.5% to 4.4%. The net proceeds of \$709,568 (after payment of \$14,585 in fiscal agency fees and \$14,700 of discount on bonds plus \$3,853 in accrued interest) were used to provide \$702,731 for construction of a football field house and \$6,837 to open the Bond and Redemption Fund for the 2004 Issue.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE E - BOND OBLIGATIONS (CONCLUDED)

On April 1, 2008, the District issued \$3,005,000 in School Building Revenue Bonds with interest rates ranging from 2.75% to 3.85%. The net proceeds of \$2,913,044 (after payment of \$33,020 in fiscal agency fees and \$58,936 of discount on bonds) were used to install a geothermal HVAC system and gym roof at Breckinridge County Middle School.

In July 1985, the District entered into "participation agreements" with the Kentucky School Facility Construction Commission (Commission). The Commission was created by the Kentucky Legislature for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the government-wide financial statements.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2008 for debt service (principal and interest) are as follows:

Year	DISTRICT		COMMISSION		TOTAL
	Principal	Interest	Principal	Interest	Principal
2008-09	\$ 507,832	\$ 346,152	\$ 202,168	\$ 96,083	\$ 710,000
2009-10	519,568	335,084	205,432	92,819	725,000
2010-11	533,435	319,123	211,565	86,686	745,000
2011-12	551,519	300,776	218,481	79,770	770,000
2012-13	574,003	280,739	225,997	72,255	800,000
2013-14	592,164	259,761	237,836	64,332	830,000
2014-15	611,897	237,371	118,103	55,697	730,000
2015-16	637,197	213,665	122,803	50,998	760,000
2016-17	662,173	188,514	127,827	45,974	790,000
2017-18	686,940	161,845	133,060	40,740	820,000
2018-19	721,487	133,060	138,513	35,288	860,000
2019-20	346,838	98,084	83,162	29,477	430,000
2020-21	363,685	80,842	86,315	26,324	450,000
2021-22	225,412	70,123	89,588	23,052	315,000
2022-23	236,936	61,350	93,064	19,575	330,000
2023-24	248,288	52,037	96,712	15,928	345,000
2024-25	255,817	42,184	74,183	12,101	330,000
2025-26	267,961	32,335	77,039	9,245	345,000
2026-27	279,995	22,018	80,005	6,279	360,000
2027-28	291,914	11,239	83,086	3,199	375,000
	<u>\$9,115,061</u>	<u>\$3,246,302</u>	<u>\$2,704,939</u>	<u>\$865,822</u>	<u>\$11,820,000</u>

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE F - CAPITAL LEASE OBLIGATIONS

During the year ended June 30, 2002, the District borrowed money from the KISTA bond pool to purchase new buses. The schedule of future minimum lease payments as of June 30, 2008:

Year Ending June 30,	Governmental Activities
2009	\$ 38,448
2010	38,545
2011	32,573
2012	32,473
Future Minimum Payments	142,039
Less Interest	(14,256)
Present Value of Future Minimum Payments	<u>\$127,783</u>

NOTE G - CHANGES IN LONG-TERM DEBT

Changes in long-term debt were as follows:

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008
Revenue Bonds	\$9,445,000	\$3,005,000	\$630,000	\$11,820,000
Capital Leases	159,295	-	31,512	127,783
	<u>\$9,604,295</u>	<u>\$3,005,000</u>	<u>\$661,512</u>	<u>\$11,947,783</u>

NOTE H - ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon retirement from the school system, a qualified employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. At June 30, 2008, this amount totaled \$249,132 for those eligible. Eligible employees include classified and certified personnel with 27 or more years of service and certain classified employees with 20 or more years of service. The total value of accumulated sick leave is included as a reserved portion of the General Fund.

NOTE I - COMMITMENTS UNDER NONCAPITALIZED LEASES

Commitments under operating lease agreements for office equipment provide the minimum future rental payments as of June 30, 2008 as follows:

Year Ending June 30,	Future Payments
2009	\$26,757
2010	12,766
2011	12,188
2012	3,005
Total	<u>\$54,716</u>

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE J - BUDGET VIOLATIONS

During the 2008 fiscal year, the District incurred line item expenditures in excess of budget. These expenditures were within the General Fund and the Special Revenue Fund.

NOTE K - RETIREMENT PLANS

Benefits under both plans will vary based on final compensation, years of service and other factors as fully described in the plan documents.

1. Teachers' Retirement System of Kentucky

Plan description - The Breckinridge County School District contributes to the Teachers' Retirement System of Kentucky (KTRS), a cost sharing, multiple employer, defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky. KTRS requires that its members occupy a position requiring either a four-year college degree or certification by the Kentucky Department of Education (KDE).

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601 or from the KTRS web site at <http://ktrs.ky.gov>.

Funding policy - Contribution rates are established by KRS. Members are required to contribute 9.855% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries. The federal program for any salaries paid by that program pays the matching contributions.

Medical Insurance Plan

Plan description - In addition to the pension benefits described above, Kentucky Revised Statute 161.675 requires KTRS to provide post-retirement healthcare benefits to eligible members and dependents. The KTRS medical insurance benefit is a cost sharing, multiple employer, defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance, and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE K - RETIREMENT PLANS (CONTINUED)

1. Teachers' Retirement System of Kentucky (Concluded)

Medical Insurance Plan (Concluded)

Funding policy - The post-retirement healthcare provided by KTRS is financed on a pay-as-you-go basis. In order to fund the post-retirement healthcare benefit, 1.5% of the gross annual payroll of all active members is contributed. One-half of this amount is derived from member contributions and one-half from state appropriation. Also, any premiums collected from retirees and investment interest help with the medical expenses of the plan.

The Breckinridge County School District's total payroll for the year was \$14,438,927. The payroll for employees covered under KTRS was \$10,641,946. For the year ended June 30, 2008, the Commonwealth contributed \$1,195,080 to KTRS for the benefit of the District's participating employees. The School District's contributions to KTRS for the year ended June 30, 2008 were \$204,468, which represents those employees covered by federal programs.

2. County Employee's Retirement System

Plan Description - Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System (CERS), a defined benefit plan sponsored by the Commonwealth of Kentucky. CERS is a cost sharing, multiple employer, public employee retirement system that covers substantially all regular full-time employees of each county, non-certified school board employees, and any additional eligible local agencies electing to participate in the retirement system. At June 30, 2007, there were 1,400 local governments participating in CERS, which provides for retirement, disability, and death benefits. CERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601.

Funding Policy - Funding for the plan is provided through payroll withholdings and participating employers are required to contribute at an actuarially determined rate. For the year ended June 30, 2008, non-hazardous plan participating employees contributed 5% of creditable compensation to CERS. Employer contribution rates, determined by the Board of Trustees of the Kentucky Retirement Systems, are intended to fund the CERS's normal cost on a current basis plus fund an amount equal to the amortization of unfunded past service costs over thirty years, using the level percentage of payroll method. Participating employers contributed 16.17% of members' non-hazardous compensation for the year ended June 30, 2008. The District's contributions to CERS for the past three years are listed below. The actual contributions were equal to the required contributions for each year.

Fiscal Year Ended June 30,	Total Payroll Subject to CERS	Contributions		Total
		Employee	Employer	
2008	\$3,653,716	\$182,687	\$590,807	\$773,494
2007	\$3,444,744	\$172,238	\$454,362	\$626,600
2006	\$3,337,182	\$166,859	\$366,423	\$533,282

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE K - RETIREMENT PLANS (CONCLUDED)

2. County Employee's Retirement System (Concluded)

As the District is only one of several employers participating in the plan, it is not practical to determine the District's portion of the unfunded past service cost or the vested benefits of the District's portion of the plan assets.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the pensions' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among the plans and employers.

Medical Insurance Plan

Plan description - In addition to the pension benefits described above, Kentucky Revised Statute 61.702 requires CERS to provide post-retirement healthcare benefits to eligible members and dependents. Changes made to the medical plan may be made by the Kentucky Retirement Systems' Board of Trustees and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The amount funded by the insurance fund depends on the months of service. The insurance fund shall continue the same level of coverage for a recipient who was a member of the CERS after the age of 65 as before the age of 65, if the recipient is not eligible for Medicare coverage.

Funding policy - The post-retirement healthcare provided by CERS is financed wholly or partly from funds contributed by the recipient of a retirement allowance, by the Kentucky Retirement Systems insurance fund, or by another state-administered retirement system under a reciprocal agreement. Also, any premiums collected from retirees and investment interest help with the medical expenses of the plan.

NOTE L - COMMITMENTS AND CONTINGENCIES

The District receives funding from Federal, State, and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based on the grantor's review, the funds are considered not to have been used for the intended purpose, the grantor may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is contingent upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE L - COMMITMENTS AND CONTINGENCIES (CONCLUDED)

During the year ended June 30, 2004, the Board approved two construction projects. Although these projects were indefinitely placed on hold, the Board eventually expects to complete the projects. The anticipated cost of a library media center at Hardinsburg Elementary School and four new classrooms and a kitchen/commons area enlargement at Ben Johnson Elementary School is approximately \$3 million. Construction in progress includes \$29,712 in architectural fees for both projects.

Prior to year-end, the District awarded bids for three major projects. The total cost of each project including architect fees is as follows: \$3,161,525 for the geothermal HVAC system at Breckinridge County Middle School; \$208,443 for a gym roof at Breckinridge County Middle School; and \$692,342 for a roof at Hardinsburg Elementary School. Construction in progress includes \$2,541,238 for all projects.

In the beginning of the fiscal year, the District received the Early Reading First grant in the amount of \$653,500 for a three-year period. At year-end, the District had received \$98,278 from the grant.

As referenced in Note K, the District's classified employees are enrolled in the County Employees' Retirement System (CERS). At June 30, 2007, CERS had an unfunded pension and insurance liability of \$3.5 billion. The Kentucky General Assembly made significant changes to CERS on June 27, 2008 to benefits and funding; nevertheless, future contributions by employers may be dramatically higher.

NOTE M - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Fund (Trust).

These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The district pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four months after the expiration of the self-insurance term. The Liability Insurance Fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any other reason by giving ninety days notice. In the event the Trust terminated coverage, any amount remaining in the fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE M - RISK MANAGEMENT (CONCLUDED)

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE N - INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain retrospectively rated policies, which include worker's compensation insurance.

NOTE O - DEFICIT OPERATING/FUND BALANCES

No funds of the District ended the year with a deficit balance. However, the following funds have operations that resulted in a current year deficit of revenues over expenditures/expenses resulting in a corresponding reduction of fund balance/net assets.

Special Revenue Fund	Proprietary Fund	Capital Outlay Fund	Building Fund
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NOTE P - COBRA

Under COBRA, employers are mandated to notify terminated employees of the availability of continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency).

NOTE Q - SUBSEQUENT EVENTS

Subsequent to year-end, the gym floor at the Breckinridge County Middle School was damaged during construction of the new roof. The District replaced the floor at a cost of \$97,629 and received \$48,500 for property damages from the contractor.

NOTE R - ON-BEHALF PAYMENTS

For the year ended June 30, 2008, total net payments of \$3,456,630 were made for life insurance, health insurance, KTRS matching, administrative fees, and the vocational school by the Commonwealth of Kentucky on behalf of the District. These on-behalf payments were recorded as intergovernmental revenue and expenses/expenditures in the government-wide, General Fund, and Proprietary Fund financial statements. In addition, debt service payments made by the SFCC on behalf of the District totaled \$211,965, and this amount is included as revenues in the Statement of Activities and the amount attributed to interest expense is included as expenses. On-behalf payments are not budgeted and therefore are not included in the General Fund Budgetary Comparison Schedule.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE S - TRANSFER OF FUNDS

The following transfers were made during the year:

<u>From Fund</u>	<u>To Fund</u>	<u>Amount</u>	<u>Purpose</u>
General	Special Revenue	\$ 84,735	Innovative Grant
General	Special Revenue	31,269	Technology Match
General	Special Revenue	30,000	Textbooks
General	Special Revenue	10,000	NASA Grant
General	Special Revenue	14,500	Cloverport Ed Grant
General	Special Revenue	143,139	Special Ed Supplement
General	Construction	499,327	Construction
Building	Construction	420,917	Construction
Capital Outlay	Construction	445,529	Construction
		<u>\$1,679,416</u>	

NOTE T - RESERVED FUND BALANCES

The General Fund reserved fund balances are as follows:

Sick leave	\$ 249,132
Classified retirement matching	60,000
Site-based decision making councils	59,897
Technology	637,393
Energy inflation	600,000
Energy management	415,000
Foreign expansion	100,000
Trust/agency	79,023
Buses	689,038
Curriculum and program development	1,135,650
Innovative grants	461,871
BCHS textbooks	70,000
Encumbrances	172,468
Year-end maintenance and supplies	95,939
Records room	150,000
Capital improvement and equipment	<u>2,445,127</u>
Total	<u>\$7,420,538</u>

REQUIRED SUPPLEMENTARY INFORMATION

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	Favorable (Unfavorable) Final to Actual
Revenues				
From local sources:				
Property taxes	\$ 2,390,000	\$ 2,390,000	\$ 3,013,142	\$ 623,142
Motor vehicle taxes	525,000	525,000	558,059	33,059
Utility taxes	599,000	599,000	766,298	167,298
Tuition and textbook fees	5,000	5,000	6,359	1,359
Transportation reimbursement	75,000	75,000	108,642	33,642
Interest income	325,000	325,000	384,462	59,462
Donations/grants	-	-	12,393	12,393
Other income	167,000	152,000	221,905	69,905
Intergovernmental - state	10,622,487	10,637,487	11,500,150	862,663
Intergovernmental - direct federal	40,000	40,000	15,505	(24,495)
Total Revenues	14,748,487	14,748,487	16,586,915	1,838,428
Expenditures				
Instruction	8,500,987	8,664,208	7,928,527	735,681
Support services:				
Student	431,150	435,050	423,030	12,020
Instructional staff	267,300	225,465	219,282	6,183
District administration	2,698,036	2,723,701	828,239	1,895,462
School administration	1,301,469	1,328,607	1,231,633	96,974
Business	499,675	508,000	500,974	7,026
Plant operations and maintenance	2,511,945	2,591,009	2,206,816	384,193
Student transportation	1,516,775	1,442,575	1,399,547	43,028
Food service	3,150	3,150	886	2,264
Debt service:				
Payment of principal	35,000	32,925	31,512	1,413
Payment of interest	5,000	7,075	7,035	40
Total Expenditures	17,770,487	17,961,765	14,777,481	3,184,284
Excess (Deficiency) of Revenues over Expenditures	(3,022,000)	(3,213,278)	1,809,434	5,022,712
Other Financing Sources (Uses)				
Operating transfers out	-	-	(812,970)	(812,970)
Proceeds from sale of fixed assets	-	-	880	880
Total Other Financing Sources (Uses)	-	-	(812,090)	(812,090)
Net Changes in Fund Balance	(3,022,000)	(3,213,278)	997,344	4,210,622
Fund Balance - Beginning of Year	3,022,000	3,213,278	10,482,005	7,268,727
Fund Balance - End of Year	\$ -	\$ -	\$ 11,479,349	\$ 11,479,349

See accompanying notes to required supplementary information.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Favorable (Unfavorable) Final to Actual</u>
Revenues				
From local sources:				
Tuition and textbook fees	\$ 137,653	\$ 176,208	\$ 113,095	\$ (63,113)
Other income	61,732	181,165	82,964	(98,201)
Intergovernmental - state	810,888	752,374	871,570	119,196
Intergovernmental - indirect federal	1,929,616	2,245,858	2,218,699	(27,159)
Intergovernmental - direct federal	916,900	929,694	937,914	8,220
Total Revenues	<u>3,856,789</u>	<u>4,285,299</u>	<u>4,224,242</u>	<u>(61,057)</u>
Expenditures				
Instruction	2,637,513	3,020,993	3,186,702	(165,709)
Support services:				
Student	159,342	175,142	181,905	(6,763)
Instructional staff	575,719	634,649	671,060	(36,411)
District administration	5,225	5,225	22,510	(17,285)
Business	39,672	37,517	41,606	(4,089)
Plant operations and maintenance	-	5,000	18,403	(13,403)
Student transportation	67,605	66,080	55,895	10,185
Community services	371,713	381,962	379,373	2,589
Total Expenditures	<u>3,856,789</u>	<u>4,326,568</u>	<u>4,557,454</u>	<u>(230,886)</u>
Deficiency of Revenues over Expenditures	<u>-</u>	<u>(41,269)</u>	<u>(333,212)</u>	<u>(291,943)</u>
Other Financing Sources				
Operating transfers in	<u>-</u>	<u>41,269</u>	<u>313,643</u>	<u>272,374</u>
Net Changes in Fund Balance	<u>-</u>	<u>-</u>	<u>(19,569)</u>	<u>(19,569)</u>
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>99,464</u>	<u>99,464</u>
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79,895</u>	<u>\$ 79,895</u>

See accompanying notes to required supplementary information.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE A - BUDGETARY BASIS OF ACCOUNTING

The District's budgetary basis of accounting used for budget versus actual reporting differs from accounting principles generally accepted in the United States of America (GAAP). The budget and all transactions are presented in accordance with the District's budgetary basis in the budgetary comparison schedules for the General Fund and Special Revenue Fund to provide a meaningful comparison of actual results with the budget. The major difference between budgetary and GAAP bases for the General Fund is the exclusion of on-behalf payments in budget amounts. There are no major differences between budgetary and GAAP bases for the Special Revenue Fund.

A reconciliation of the different bases of revenue and expenditure recognition for the year ended June 30, 2008 is as follows:

<u>General Fund</u>	
Revenues, GAAP basis	\$19,955,220
<i>Deduct:</i>	
On-behalf payments	<u>3,368,305</u>
Revenues, budgetary basis	<u>\$16,586,915</u>
Expenditures, GAAP basis	\$18,145,786
<i>Deduct:</i>	
On-behalf payments	<u>3,368,305</u>
Expenditures, budgetary basis	<u>\$14,777,481</u>

SUPPLEMENTARY INFORMATION

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET
CAPITAL PROJECT FUNDS
JUNE 30, 2008**

	SEEK Capital Outlay Fund	FSPK Building Fund	Construction Fund	Total Capital Project Funds
	<hr/>	<hr/>	<hr/>	<hr/>
<u>Assets</u>				
Cash and cash equivalents	\$ 177,185	\$ 95,458	\$3,015,057	\$3,287,700
Interest receivable	<hr/> -	<hr/> -	<hr/> 8,626	<hr/> 8,626
Total Assets	<hr/> <hr/> \$ 177,185	<hr/> <hr/> \$ 95,458	<hr/> <hr/> \$3,023,683	<hr/> <hr/> \$3,296,326
<u>Liabilities</u>				
Accounts payable	\$ -	\$ -	\$1,247,011	\$1,247,011
<u>Fund Balances</u>				
Reserved for capital outlay	<hr/> 177,185	<hr/> 95,458	<hr/> 1,776,672	<hr/> 2,049,315
Total Liabilities and Fund Balances	<hr/> <hr/> \$ 177,185	<hr/> <hr/> \$ 95,458	<hr/> <hr/> \$3,023,683	<hr/> <hr/> \$3,296,326

BRECKINRIDGE COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	SEEK Capital Outlay Fund	FSPK Building Fund	Construction Fund	Total Capital Project Funds
Revenues				
From local sources:				
Property taxes	\$ -	\$419,315	\$ -	\$ 419,315
Interest income	17,282	13,680	18,773	49,735
Intergovernmental - state	243,510	356,264	-	599,774
Total Revenues	<u>260,792</u>	<u>789,259</u>	<u>18,773</u>	<u>1,068,824</u>
Expenditures				
Contract services	24,346	-	-	24,346
Capital outlay	-	-	2,641,251	2,641,251
Debt service:				
Payment of principal	59,261	419,177	-	478,438
Payment of interest	-	274,624	-	274,624
Total Expenditures	<u>83,607</u>	<u>693,801</u>	<u>2,641,251</u>	<u>3,418,659</u>
Excess (Deficiency) of Revenues over Expenditures	<u>177,185</u>	<u>95,458</u>	<u>(2,622,478)</u>	<u>(2,349,835)</u>
Other Financing Sources (Uses)				
Net bond proceeds	-	-	2,913,044	2,913,044
Operating transfers in	-	-	1,365,773	1,365,773
Operating transfers out	(445,529)	(420,917)	-	(866,446)
Total Other Financing Sources (Uses)	<u>(445,529)</u>	<u>(420,917)</u>	<u>4,278,817</u>	<u>3,412,371</u>
Net Changes in Fund Balances	(268,344)	(325,459)	1,656,339	1,062,536
Fund Balances - Beginning of Year	445,529	420,917	120,333	986,779
Fund Balances - End of Year	<u>\$ 177,185</u>	<u>\$ 95,458</u>	<u>\$ 1,776,672</u>	<u>\$2,049,315</u>

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES
BRECKINRIDGE COUNTY HIGH SCHOOL ACTIVITY FUND
FOR THE YEAR ENDED JUNE 30, 2008**

	Cash				Cash	Accounts	Accounts	Fund
	Balances			Transfers	Balances	Receivable	Payable	Balances
	July 1,			In (Out)	June 30,	June 30,	June 30,	June 30,
	2007	Receipts	Disbursements		2008	2008	2008	2008
ACCOUNTS:								
Art	\$ -	\$ -	\$ 113	\$ 113	\$ -	\$ -	\$ -	\$ -
Art Club	690	277	226	(115)	626	-	-	626
Athletics	692	5,100	13,231	8,523	1,084	-	-	1,084
Athletic Concessions	1,265	16,059	15,550	(1,608)	166	-	-	166
Band	1,680	28,669	27,386	-	2,963	-	-	2,963
Baseball	-	9,294	7,443	(1,512)	339	657	-	996
Baseball/Softball Trip	-	3,215	5,276	3,742	1,681	-	-	1,681
Boys Basketball	-	20,209	17,243	(640)	2,326	-	628	1,698
Challenge Club	-	500	-	-	500	-	-	500
Chorus	4,444	7,977	9,745	(215)	2,461	-	-	2,461
Concessions	1,643	16,885	14,053	(3,796)	679	-	296	383
Correspondence	2,817	3,625	7,692	1,250	-	-	-	-
Cross Country	-	1,512	3,402	1,890	-	-	-	-
Dance	525	700	1,254	29	-	-	-	-
FCA	26	382	400	-	8	-	-	8
FFA	387	16,972	16,492	(852)	15	-	-	15
FCCLA	230	3,194	3,349	50	125	-	-	125
Flower Fund	27	450	350	-	127	-	-	127
Football	-	19,957	21,912	2,035	80	-	-	80
FMD	59	3,307	3,212	13	167	-	-	167
Gamers Club	260	-	-	-	260	-	-	260
General	1,949	21,340	29,282	7,000	1,007	5	47	965
Girls Basketball	693	9,075	12,094	2,503	177	-	-	177
Girls Softball	-	5,224	7,289	3,205	1,140	-	-	1,140
Golf	-	1,793	4,270	2,477	-	-	-	-
Greenhouse	7,467	11,772	8,411	30	10,858	-	23	10,835
JV Cheerleaders	168	5,585	4,560	-	1,193	-	-	1,193
Mexico Trip	441	25,011	25,311	(67)	74	-	-	74
Mock Trial	-	200	125	-	75	-	-	75
Music Club	329	360	426	(115)	148	-	-	148
National Honor Society	253	620	351	(140)	382	-	-	382
NY/Scholarship	2,166	62,883	63,391	67	1,725	-	-	1,725
Pep Club	-	4,135	3,449	-	686	-	-	686
Project Graduation	784	30,393	32,227	1,100	50	-	-	50
Prom	1,147	7,025	6,539	(63)	1,570	-	-	1,570
SADD	1,831	6,419	6,472	(1,325)	453	-	-	453
Spanish Club	464	-	194	-	270	-	-	270
Student Council	227	-	-	-	227	-	-	227
Teacher Concessions	278	1,653	1,316	-	615	-	-	615
Tiger Paws	9,977	14,597	15,587	1,619	10,606	-	-	10,606
Varsity Cheerleader	1,224	6,331	7,839	284	-	-	-	-
Volleyball	618	6,483	6,325	-	776	-	-	776
Yearbook	47,662	37,926	48,539	(25,482)	11,567	-	8,792	2,775
Totals	\$ 92,423	\$ 417,109	\$ 452,326	\$ -	\$ 57,206	\$ 662	\$ 9,786	\$ 48,082

BRECKINRIDGE COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES
ACTIVITY FUNDS BY SCHOOL
FOR THE YEAR ENDED JUNE 30, 2008

	Cash			Cash	Accounts	Accounts	Fund
	Balances			Balances	Receivable	Payable	Balances
	July 1,			June 30,	June 30,	June 30,	June 30,
	2007	Receipts	Disbursements	2008	2008	2008	2008
ACTIVITY FUND:							
Ben Johnson Elementary School	\$ 24,202	\$ 43,375	\$ 35,178	\$ 32,399	\$ -	\$ 3,438	\$ 28,961
Custer Elementary School	17,103	21,102	21,247	16,958	-	-	16,958
Hardinsburg Elementary School	20,001	50,368	42,528	27,841	63	2,605	25,299
Irvington Elementary School	13,808	77,364	75,042	16,130	-	61	16,069
Breckinridge County Middle School	49,392	77,952	77,086	50,258	32	399	49,891
Totals	<u>\$ 124,506</u>	<u>\$ 270,161</u>	<u>\$ 251,081</u>	<u>\$ 143,586</u>	<u>\$ 95</u>	<u>\$ 6,503</u>	<u>\$ 137,178</u>

FINANCIAL STATUS REPORT

(Long Form)

(Follow instructions on the back)

1. Federal Agency and Organizational Element to Which Report is Submitted HHS/ACF/ACYF/Head Start		2. Federal Grant or Other Identifying Number Assigned By Federal Agency 93.6		OMB Approval No. 0348-0039	Page	of	Pages
3. Recipient Organization (Name and complete address, including ZIP code) Breckinridge County Head Start, 86 Airport Road, Hardinsburg, KY 40143							
4. Employer Identification Number 61-6001288		5. Recipient Account Number or Identifying Number 04CH2675/39		6. Final Report <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		7. Basis <input checked="" type="checkbox"/> Cash <input type="checkbox"/> Accrual	
8. Funding/Grant Period (See instructions) From: (Month, Day, Year) 7/1/2007		To: (Month, Day, Year) 6/30/2008		9. Period Covered by this Report From: (Month, Day, Year) 4/1/2008		To: (Month, Day, Year) 6/30/2008	
10. Transactions:				I Previously Reported	II This Period	III Cumulative	
a. Total outlays				\$1,209,533	\$9,653	\$1,219,186	
b. Refunds, rebates, etc.				\$0	\$0	\$0	
c. Program income used in accordance with the deduction alternative				\$0	\$0	\$0	
d. Net outlays (Line a, less the sum of lines b and c)				\$1,209,533	\$9,653	\$1,219,186	
Recipient's share of net outlays, consisting of:							
e. Third party (in-kind) contributions				\$289,492	\$0	\$289,492	
f. Other Federal awards authorized to be used to match this award				\$0	\$0	\$0	
g. Program income used in accordance with the matching or cost sharing alternative				\$0		\$0	
h. All other recipient outlays not shown on lines e, f or g				\$0	\$0	\$0	
i. Total recipient share of net outlays (Sum of lines e, f, g and h)				\$289,492	\$0	\$289,492	
j. Federal share of net outlays (line d less line i)				\$920,041	\$9,653	\$929,694	
k. Total unliquidated obligations						\$0	
l. Recipient's share of unliquidated obligations							
m. Federal share of unliquidated obligations						\$0	
n. Total Federal share (sum of lines j and m)						\$929,694	
o. Total Federal funds authorized for this funding period						\$929,694	
p. Unobligated balance of Federal funds (Line o minus line n)						\$0	
Program income, consisting of:							
q. Disbursed program income shown on lines c and/or g above						\$0	
r. Disbursed program income using the addition alternative						\$0	
s. Undisbursed program income						\$0	
t. Total program income realized (Sum of lines q, r and s)						\$0	
11. Indirect Expense	a. Type of Rate (Place check in appropriate box) <input type="checkbox"/> Provisional <input type="checkbox"/> Predetermined <input type="checkbox"/> Final <input type="checkbox"/> Fixed						
	b. Rate		c. Base		d. Total Amount		e. Federal Share
12. Remarks: Attach any explanations deemed necessary or information required by Federal sponsoring agency in compliance with governing legislation. Administrative Costs \$78,670.76 T&TAS \$14,312.00 Handicap \$32,941.61							
13. Certification: I certify to the best of my knowledge and belief that this report is correct and complete and that all outlays and unliquidated obligations are for the purposes set forth in the award documents.							
Typed or Printed Name and Title Michael Simpson, Director					Telephone (Area code, number and extension) (270) 756-3000		
Signature of Authorized Certifying Official <i>Michael Simpson</i>					Date Report Submitted September 25, 2008		

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
BOARD MEMBERS AND ADMINISTRATIVE PERSONNEL
JUNE 30, 2008**

<u>Board Members</u>	<u>Address</u>	<u>Term Expires</u>
Joe Hobbs, Chairman	Harned, KY	January, 2009
Allen Cole, Vice Chairman	Irvington, KY	January, 2011
Paula Burke	Hardinsburg, KY	January, 2009
Wayne Fentress	Hardinsburg, KY	January, 2009
Kenneth Hager	Constantine, KY	January, 2011

Administrative Personnel

Evelyn Neely, Superintendent ¹

Richard Butler, Assistant Superintendent

Janet Meeks, Assistant Superintendent and Secretary of the Board ²

Denise Smith, Finance Officer and Treasurer of the Board ³

¹ Succeeded by Janet Meeks

² Succeeded by Larry Frank as Interim Assistant Superintendent

³ Succeeded by Michael Moreland



DRANE & COMPANY, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

209 East Third Street - P. O. Box 577
Hardinsburg, Kentucky 40143

DANIEL G. DRANE, CPA
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Kentucky State Committee for School District Audits
Members of the Board of Education
Breckinridge County School District
Hardinsburg, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Breckinridge County School District (District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 27, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the provisions of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I of the *Independent Auditor's Contract - General Audit Requirements*, Appendix II of the *Independent Auditor's Contract - State Audit Requirements*, and Appendix III of the *Independent Auditor's Contract - Electronic Submission*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be

prevented or detected by the District's internal control. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 08-8 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we consider the significant deficiency described above as item 08-8 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings and Questioned Costs as items 08-3, 08-4, and 08-9.

In addition, the results of our tests disclosed three instances of noncompliance with specific state statutes or regulations identified in Appendix II of the *Independent Auditor's Contract - State Audit Requirements*. These are described in the accompanying Schedule of Findings and Questioned Costs as items 08-5 to 08-7.

We also noted other matters involving the internal control over financial reporting that we have reported to management of the Breckinridge County School District in a separate letter dated October 27, 2008.

This report is intended solely for the information of members of the Kentucky State Committee for School District Audits, the members of the Board of Education of Breckinridge County School District, management, the Kentucky Department of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Drane & Company, PLLC
Certified Public Accountants

October 27, 2008



DRANE & COMPANY, PLLC

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Kentucky State Committee for School District Audits
Members of the Board of Education
Breckinridge County School District
Hardinsburg, Kentucky

Compliance

We have audited the compliance of Breckinridge County School District (District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The District's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I of the *Independent Auditor's Contract - General Audit Requirements*, Appendix II of the *Independent Auditor's Contract - State Audit Requirements*, and Appendix III of the *Independent Auditor's Contract - Electronic Submission*. These require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and that are described in the accompanying Schedule of Findings and Questioned Costs as items 08-1 and 08-2.

Internal Control over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 08-1 and 08-2 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we consider item 08-2 to be a material weakness.

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs and Corrective Action Plan. We did not audit the District's responses and, accordingly, we express no opinion on it.

We did note other matters involving the internal control over financial reporting that we have reported to management of the District in a separate letter dated October 27, 2008.

This report is intended solely for the information of members of the Kentucky State Committee for School District Audits, the members of the Board of Education of Breckinridge County School District, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Drane & Company, PLLC

Drane & Company, PLLC
Certified Public Accountants

October 27, 2008

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Local Code	Grant or Pass-Through Number	Federal Expenditures
U.S. Department of Health and Human Services				
Direct Programs:				
Head Start*	93.600	655X	04CH2675/39	\$929,694
Total U.S. Department of Health and Human Services				<u>929,694</u>
U.S. Department of Agriculture				
Passed Through Kentucky Department of Education:				
Child Nutrition Cluster*:				
School Breakfast Program*	10.553	203X	7760005 07/08	280,211
National School Lunch Program*	10.555	205X	7750002 07/08	664,970
Summer Food Service Program for Children*	10.559	209X	7690024 07	2,725
Summer Food Service Program for Children*	10.559	209X	7740023 07	26,502
Total Child Nutrition Cluster				<u>974,408</u>
Passed Through Kentucky Department of Agriculture:				
Food Donation	10.550	201X	057502-02	98,158
Total U.S. Department of Agriculture				<u>1,072,566</u>
U.S. Department of Education				
Passed Through Kentucky Department of Education:				
Special Education Cluster (IDEA)*:				
Special Education - Grants to States (IDEA, Part B)*	84.027	337X	3810002 06/07	567,700
Special Education - Preschool Grants (IDEA Preschool)*	84.173	343X	3800002 06/07	47,760
Total Special Education Cluster (IDEA)				<u>615,460</u>
Title I Grants to Local Educational Agencies*	84.010	310X	3100002 05/06/07	765,994
Title I Grants to Local Educational Agencies*	84.010	320X	3100202 06	15,270
Total Title I Grants to Local Educational Agencies*				<u>781,264</u>
Migrant Education - State Grant Program	84.011	311X	3110002 06/07	37,916
Vocational Education - Basic Grants to States	84.048	348X	4620632 06/07	18,874
Safe and Drug-Free Schools and Communities - State Grants	84.186	406X	3410002 06/07	15,926
Even Start - State Educational Agencies	84.213	323X	3160002 06	7,650
State Grants for Innovative Programs	84.298	334X	3500002 06	3,626
Education Technology State Grants	84.318	425X	3210002 05/06/07	14,390
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	379XG	N/A	158,589
Reading First State Grants	84.357	508XR/P	3150002 05/06	147,264
Rural Education	84.358	350X	3140002 06	24,525
Early Reading First	84.359	508XE	S359B070073	178,539
Improving Teacher Quality State Grants	84.367	401X	3230002 06/07	215,522
Total U.S. Department of Education				<u>2,219,545</u>
Total				<u>\$4,221,805</u>

* Denotes major program

See accompanying notes to Schedule of Expenditures of Federal Awards.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

NOTE B - FOOD DISTRIBUTION

Non-monetary assistance in the form of commodities received and disbursed, which is equivalent to a fair market value of \$98,158, is reported in the schedule under Food Donation (CFDA 10.550).

NOTE C - DELEGATE AGENCY

Cloverport Head Start, under the auspices of the Cloverport Board of Education, an independent school district located in Breckinridge County, served as a delegate agency of the Breckinridge County School District's Head Start program. \$153,435 in Head Start/Preschool funds was distributed to the Cloverport Board of Education and is reported in the schedule under Head Start (CFDA 93.600).

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

Section I: Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Any material weakness(es) identified? ☒ yes ☐ no

Any significant deficiencies identified not considered to be material weaknesses? ☐ yes ☒ no

Any noncompliance material to financial statements noted? ☒ yes ☐ no

Federal Awards

Internal control over major programs:

Any material weakness(es) identified? ☒ yes ☐ no

Any significant deficiencies identified not considered to be material weaknesses? ☒ yes ☐ none reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)? ☒ yes ☐ no

Identification of major programs:

Name of Federal Program or Cluster	CFDA Number(s)
•Child Nutrition Cluster:	
School Breakfast Program	10.553
National School Lunch Program	10.555
Summer Food Service Program for Children	10.559
•Title I Grants to Local Educational Agencies	84.010
•Special Education Cluster (IDEA):	
Special Education - Grants to States (IDEA, Part B)	84.027
Special Education - Preschool Grants (IDEA Preschool)	84.173
•Head Start	93.600

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? ☐ yes ☒ no

Section II: Financial Statement Findings

Findings 08-3 through 08-9.

Section III: Federal Awards Finding

Findings 08-1 through 08-2.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

Finding: 08-1

Program: Head Start

CFDA#: 93.600

<i>Condition:</i>	Actual to budget expenditures were monitored on only an overall basis without consideration of individual line items.
<i>Criteria:</i>	A very important component of effective Head Start program financial management is developing and implementing the budget to support the goals and activities outlined in program plans. All Federal grantee agencies are required to have financial management systems that provide for timely, accurate, current, and complete disclosure of financial information while providing for oversight and protection of Federal funds.
<i>Cause:</i>	Many programs are highly competent when developing a sound budget, but often neglect to put in motion processes and procedures to ensure that the budget is understood and utilized by staff to guide the operation of the program.
<i>Effect:</i>	The District had to reallocate expenses in order to meet the financial goals outlined in the program plan.
<i>Recommendation:</i>	Regulations require that the program manager receive reports showing expenses-to-date and the budget amount with a comparison between the two. Having this sort of information on a regular basis provides the program manager with information necessary to adjust program operations so resources are efficiently used and deficits do not occur. Accordingly, we recommend that management closely review budget versus actual expenditure reports and take into consideration the line items of the budget as well as the overall budget.
<i>Management Response:</i>	See Corrective Action Plan.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

Finding: 08-2

Program: Head Start

CFDA#: 93.600

<i>Condition:</i>	There appeared to be a lack of oversight over the delegate agency that received a portion of the Head Start award. Although the District contends that monthly site visits were made to monitor the delegate agency's program, documentation could not be provided for all visits made. Also, the delegate agency agreement was not updated to reflect a change in the amount of the award.
<i>Criteria:</i>	If an organization chooses to delegate part or all of the funds it has been granted, it is responsible to ensure compliance of the delegate agency. It is essential that delegates are aware of the rules and regulations and that there is monitoring in place to ensure compliance. A proper contract should also be in place.
<i>Cause:</i>	In-kind contributions were not substantiated and the audit report was not submitted timely by the delegate agency. District personnel did not document all site visits.
<i>Effect:</i>	The delegate agency may not have been in compliance with program requirements or the contract with the District.
<i>Recommendation:</i>	The District should increase monitoring of the delegate agency according to the terms of the contract and federal requirements.
<i>Management Response:</i>	See Corrective Action Plan.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

Finding: 08-3

<i>Condition:</i>	The District did not obtain the required performance and payment bonds from the contractor for the roof replacement at Irvington Elementary School. The Board did not review or have possession of the original bidding documents for the construction projects started during the fiscal year.
<i>Criteria:</i>	702 KAR 4:160 states that the District should have the contractor's performance and payment bonds [required by KRS 45A.435] prior to executing a construction contract. It further states that the Board should review bidding documents for compliance with statutes and regulations and hold possession of the original bidding documents.
<i>Cause:</i>	The contractor was unable to obtain the required performance and payment bonds. The Board relied on the architect's bid tabulation in lieu of reviewing the original bids.
<i>Effect:</i>	The District may not have been in compliance with state law.
<i>Recommendation:</i>	More effort should be made to adhere to state regulations for future construction projects.
<i>Management Response:</i>	<i>The District will ensure that all contractors have in place a performance and payment bond. The Board contracts with an architect to process all bids for a project. However, the District will ensure that all original bids are present when reviewing bid tabulations. The District Finance Officer and Facilities Manager will have oversight to ensure statutory compliance.</i>

Finding: 08-4

<i>Condition:</i>	Two grants were overspent.
<i>Criteria:</i>	Expenditures should be made according to the grant funds available and the period of award.
<i>Cause:</i>	Management did not closely review budget versus actual expenditure reports.
<i>Effect:</i>	The General Fund will likely have to cover the cost of the excess expenditures.
<i>Recommendation:</i>	More effort should be made to ensure that expenditures are not made in excess of the grant award.
<i>Management Response:</i>	<i>The District Finance Officer will run an YTD budget report each month for all projects. The report will show both YTD and MTD information to allow for the program manager to effectively manage the project. In addition, the District Finance will review the budget reports to allow for additional oversight.</i>

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

Finding: 08-5

<i>Condition:</i>	The District's public employee dishonesty coverage may be inadequate, as it is limited to \$50,000 per occurrence.
<i>Criteria:</i>	702 KAR 3:080(4) stipulates, "a district board of education shall require the bonding of <i>all</i> employees who are responsible for board funds." It further stipulates that the penal sum of the bond shall be determined by the exposure schedule contained therein.
<i>Cause:</i>	The penal sum of the treasurer's bond meets the requirements, the coverage is within the recommendations of the insurance company, and it exceeds the amount carried by some other districts. Accordingly, the District considered itself to be in compliance.
<i>Effect:</i>	In addition to a possible violation of state statute, the current coverage may be inadequate to safeguard the funds of the District. According to the exposure schedule in 702 KAR 3:080(4), the minimum amount of coverage should be \$300,000 for those responsible for board funds.
<i>Recommendation:</i>	The District should review its coverage for compliance with 702 KAR 3:080(4).
<i>Management Response:</i>	<i>The District is reviewing its coverage as compared to other Districts' of similar financial size. Upon completion of the review, the District will look to adjust the \$50,000 limit or issue additional Bonds for District personnel to ensure statutory compliance.</i>
<i>Auditor Comment:</i>	This is a repeat finding.

Finding: 08-6

<i>Condition:</i>	Board members received a per diem of \$100 instead of the \$75 allowed by state statute.
<i>Criteria:</i>	KRS 160.280 states that board members shall receive a per diem of \$75, not to exceed \$3,000 for the calendar year.
<i>Cause:</i>	A revision to the statute increased the annual maximum, so the Board adopted a policy to increase the per diem from \$75 to \$100.
<i>Effect:</i>	Board members were overpaid for one pay period.
<i>Recommendation:</i>	The District corrected this during the audit; however, we do recommend that more care be taken to ensure Board policies are in accordance with state laws in the future.
<i>Management Response:</i>	<i>The action was identified and corrected to ensure statutory compliance. The District will take more care with regard to Board policy.</i>

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

Finding: 08-7

<i>Condition:</i>	The District did not publish financial information required by state law.
<i>Criteria:</i>	KRS 424.220 requires local boards of education to publish annual financial statements, the amount dispersed during the fiscal year to each individual payee, and the purpose for which funds were expended.
<i>Cause:</i>	A change in personnel delayed the publication of the required information.
<i>Effect:</i>	The District may not have been in compliance with state law.
<i>Recommendation:</i>	We recommend that the District publish the required information immediately.
<i>Management Response:</i>	<i>The District will publish the information immediately. Going forward, the District Finance Officer will ensure all information is published in compliance with KRS guidelines.</i>

Finding: 08-8

<i>Condition:</i>	Certain material adjustments were required as part of the audit process.
<i>Criteria:</i>	Audit adjustments are indicative of a deficiency in the internal controls over financial reporting.
<i>Cause:</i>	Traditionally, small governments have expected such adjustments to be part of the audit process. However, recent pronouncements have placed a greater expectation on the government to make all material adjustments itself with little opportunity to develop the necessary expertise.
<i>Effect:</i>	Assets, liabilities, revenues, and expenditures were overstated or understated.
<i>Recommendation:</i>	Staff should obtain any necessary training to familiarize themselves with the applicable accounting principles for the preparation of complete governmental financial statements, as well as routinely perform a final review to determine that all known adjustments have been made.
<i>Management Response:</i>	<i>The District Finance Officer will ensure all material adjustments are made. The District will ensure all financial staff receives and maintains all necessary training for preparation of financial statements and entries.</i>

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

Finding: 08-9

<i>Condition:</i>	The District's bank deposits exceeded amounts covered by the Federal Deposit Insurance Corporation (FDIC) or pledged securities.
<i>Criteria:</i>	KRS 160.570 requires a board of education to appoint a bank, trust company, or savings and loan association to serve as its depository. The depository must execute a bond for the faithful performance of its duties before entering upon its responsibilities.
<i>Cause:</i>	All funds were not deposited at the bank appointed in the District's bond of depository.
<i>Effect:</i>	The District may not have been in compliance with state law, and there was a risk that a portion of bank deposits could not have been recaptured in the event of a bank closure.
<i>Recommendation:</i>	The District should ensure that the bonded depository holds all board funds and that all bank deposits are covered by FDIC insurance or pledged securities.
<i>Management Response:</i>	<i>The District will ensure that all deposits and short-term investments are covered by FDIC insurance or pledged securities. The District Finance Officer will have direct oversight of the District's bank deposits.</i>

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008**

Finding: 05-1

Status: This was partially corrected this fiscal year. We will complete the planned action during the next fiscal year.

Finding: 07-1

Status: This was not corrected, and no partial correction was accomplished during the fiscal year. This will be corrected during the next fiscal year.

Finding: 07-2

Status: The planned corrective action was completed during the fiscal year.

Finding: 07-3

Status: The planned corrective action was completed during the fiscal year.

Finding: 07-4

Status: This was partially corrected this fiscal year. We will complete the planned action during the next fiscal year.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2008**

Reference Number:	Management Response:
08-1	<p><i>The District Finance Officer will run an YTD budget report each month for federal projects. The report will show both YTD and MTD information to allow for the program manager to effectively manage the project.</i></p> <p>Completion date: November 1, 2008</p>
08-2	<p><i>Efforts will be made to ensure all site visits are documented and filed accordingly. Program manager will ensure all delegate agencies are aware of all stipulations regarding award.</i></p> <p>Completion date: November 1, 2008</p>
<p>Name of Contact Person(s): Janet Meeks, Superintendent or Michael Moreland, District Finance Officer</p> <p>Date: October 31, 2008</p>	

MANAGEMENT LETTER POINTS



DRANE & COMPANY, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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Hardinsburg, Kentucky 40143

DANIEL G. DRANE, CPA
SHEILA A. BRANDENBURG, CPA

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Members of the Board of Education
Breckinridge County School District
Hardinsburg, Kentucky

In planning and performing our audit of the basic financial statements of Breckinridge County School District for the year ended June 30, 2008, we considered the District's internal control to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide an opinion on the internal control.

However, during our audit we became aware of matters that are opportunities for strengthening internal control and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate report dated October 27, 2008 contains our report on internal control. This letter does not affect our report dated October 27, 2008 on the basic financial statements of the Breckinridge County School District.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Drane & Company, PLLC

Drane & Company, PLLC
Certified Public Accountants

October 27, 2008

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS
FOR THE YEAR ENDED JUNE 30, 2008**

PRIOR YEAR

CENTRAL OFFICE

Processing Claims

As in prior years, we noted invoices that were not marked "paid". We continue to recommend that *all* invoices be marked "paid" to avoid the possibility of a repeat payment.

Management Response: Effective immediately, a greater effort will be made to mark invoices "paid". This will be completed by Accounts Payable with direct oversight by the District Finance Officer.

Fixed Assets

In the prior year we observed over \$39,175 in new capital additions not tagged or included with the fixed asset records. During the current year, \$1.275 million spent on capital items was omitted from the fixed asset records at June 30, 2008. Although the District has made key efforts to properly classify capital expenditures, major expenditures were occasionally erroneously classified as repairs or supplies and therefore not capitalized. In addition, some assets acquired prior to year-end were posted to the general ledger subsequent to year-end. We continue to recommend that the District properly code capital expenditures. We also recommend that the District post fixed assets to the proper period in the general ledger.

Management Response: A greater effort will be made at the time purchase orders are issued to ensure all items are properly coded to fixed assets and subsequently tagged. The fixed asset manual will be reviewed with appropriate staff to ensure proper completion of all documentation.

INDIVIDUAL SCHOOL ACTIVITY FUNDS

Breckinridge County High School

Annual School Activity Report

As in prior years, a list of accounts receivable did not accompany the annual school activity report for the fiscal year. We continue to recommend that a list of receivables accompany the annual school activity report as required by the Redbook.

Credit Cards

We again noted two instances in which the credit card was not checked out properly. We also noted that the card was kept overnight prior to the Board policy revision. We continue to recommend that the Credit Card Sign-In/Out Form be used at all times.

Management Response: A meeting will be held with the principal and school treasurer to address each deficiency and ensure Redbook guidelines are being met. An internal audit will be conducted by the District Finance Officer utilizing Kentucky Department of Education field staff to ensure compliance and improvement during the current year.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS
FOR THE YEAR ENDED JUNE 30, 2008**

Ben Johnson Elementary School

Purchasing Procedures

As in prior years, we noted payments made without proper documentation or insufficient attention to the support. One payment was made from information documented on an index card. Another vendor was paid twice the amount of the actual invoice and later issued a refund for the overpayment. Payments should be accompanied by an original vendor invoice or a standard invoice, and more effort should be made to ensure payments agree with the invoiced amounts. Any deviations should be fully documented.

As in the prior year, school activity funds were used to purchase staff appreciation gifts. As outlined in the Redbook, we continue to recommend that only staff generated funds such as proceeds from vending machines in staff areas be used for staff gifts, dinners, etc.

Management Response: Proper Redbook procedures will be reviewed for all categories with the principal and school treasurer. Compliance will be monitored through an internal audit by the District Finance Officer.

Irvington Elementary School

Purchasing Procedures

As in the prior year, we noted minor problems in the twenty-five disbursements tested. Six purchase orders appeared to be prepared after the purchase. One check did not agree with the attached invoices and another had no support. Purchase orders should be properly completed prior to a purchase, and payments should be made from an original or standard invoice.

As in prior years, school activity funds were used to purchase staff appreciation gifts. As outlined in the Redbook, we continue to recommend that only staff generated funds such as proceeds from vending machines in staff areas be used for staff gifts, dinners, etc.

Management Response: A meeting will be held with the Principal and School bookkeeper regarding each finding. An internal audit will be conducted by the District Finance Officer as a follow-up to ensure Redbook compliance and proper procedures are being followed. The audit will also ensure proper separation of funds between staff and students. The District Finance Officer will follow-up with the Principal and School bookkeeper to ensure all purchase orders are being completed in a timely manner.

CURRENT YEAR

CENTRAL OFFICE

Payroll

Currently the timesheets for bus drivers are not signed by a supervisor. Effective internal control requires the approval of timesheets by an immediate supervisor. Accordingly, we recommend that the timesheets be approved by the appropriate party prior to submission to the payroll clerk.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS
FOR THE YEAR ENDED JUNE 30, 2008**

Management Response: Effective immediately, all bus driver timesheets will be signed by the supervisor over facilities before being given to payroll for processing. The payroll clerk will ensure all timesheets have been signed off on properly before processing.

Processing Claims

The District currently has a policy in place whereby the use of the Wal-Mart credit cards is suspended for a two-week period each month. This procedure was implemented to avoid the credit card being cut off for non-payment due to because of District checks being released subsequent to the due dates. This policy creates undue hardship on the District and the District could possibly incur extra costs, as employees may be forced to purchase items from more expensive vendors. We recommend that the District attempt to change the due date of the credit card to one coinciding with the normal check release date and utilize the statement as support to ensure that the entire balance is paid timely.

Management Response: Management does not believe undue hardship is being put on the District by this process. However, the District is reviewing its policy for increased efficiency. The District will make an attempt to change the due date of the payment in an effort to increase District usage during the month.

Head Start pays for volunteer parent lunches, but there are no supporting details submitted with the invoices to show whom the charges are for. Without the proper documentation, it was not possible to determine whether the costs were allowable under the terms of the grant. We recommend that the school lunchrooms submit a list of volunteers served with the invoice for payment.

Management Response: The District will ensure Head Start personnel will keep a listing of all parents for the volunteer lunches and that proper documentation is with each payment to ensure compliance with the terms of the grant. The program manager will follow-up with Head Start personnel to ensure oversight of this process.

Fixed Assets

Fixed assets purchased with federal grant awards are not tracked in the fixed asset module. Some federal programs require approval for disposition of assets purchased with federal money or the reporting of income from the disposal of fixed assets. Accordingly, we recommend that the District track fixed assets purchased with federal money.

Management Response: The fixed asset administrator will track fixed assets purchased with federal money. The District Finance Officer will conduct an internal audit to ensure compliance and maintain oversight of the process.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS
FOR THE YEAR ENDED JUNE 30, 2008**

INDIVIDUAL SCHOOL ACTIVITY FUNDS

Breckinridge County High School

Receipts

Multiple receipt forms (MRF) occasionally contain receipts for two or more activity funds, with some lacking sufficient documentation to determine the amounts allocated to each account. One receipt totaling over \$2,000 had no multiple receipt form attached. To permit a proper trail, we recommend that the MRF include a breakdown of the balances to be credited to each account. As required by the Redbook, multiple receipt forms should be used or a pre-numbered receipt should be issued to each individual from whom money is collected.

Ticket Sales

The Requisition and Report of Ticket Sales calls for the signature of the person receiving change money for ticket sales; however, our observations indicated that this section of the form is rarely completed. We also noted that the same ticket colors were sometimes used for back-to-back events. As the Redbook specifies that ticket colors should be changed for consecutive events, it is our recommendation that more attention be given to alternating ticket colors between consecutive events. We also recommend that every section of the form for ticket sales be properly completed.

Activity Funds

We noted some inconsistencies in the coding of receipts and disbursements. Some receipts for the same item were coded to two different activity funds. Some disbursements were made from the General Fund or an unrelated activity fund even though the item could have been paid from the related activity fund. There appears to be no separation of funds generated by students and teachers. Money from a student dance went into the General Fund. We recommend that more effort be made to properly and consistently code receipts and disbursements. Money generated from students is supposed to be kept separate from other funds; accordingly, we recommend more effort be made to do so. We also recommend that purchases for the benefit of a particular activity be paid for from that activity's fund.

Management Response: A meeting will be held with the Principal and School bookkeeper regarding each finding. An internal audit will be conducted by the District Finance Officer as a follow-up to ensure Redbook compliance and proper procedures are being followed.

Breckinridge County Middle School

Annual Reports

A list of accounts payable totaling \$9,613 accompanied the annual school activity report for the fiscal year; however, the amounts were actually encumbrances instead of accounts payable. We recommend that future lists of payables omit encumbrances or outstanding purchase orders for which goods and/or services have not been received.

An annual financial report was not submitted timely by two of the school's support organizations. The Redbook states that support/booster organizations should report receipts, expenditures, and beginning and ending balances to the principal by July 25 for the year ended June 30. We recommend that more effort be made to obtain the required reports in a timely manner.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS
FOR THE YEAR ENDED JUNE 30, 2008**

Activity Funds

There appears to be limited separation of funds generated by students and teachers. Money generated from students is required to be kept separate from other funds; accordingly, we recommend more effort be made to do so.

Management Response: The Accounts Payable report will no longer include encumbrances or outstanding purchase orders for which goods or services have not been received. The District Finance Officer will maintain oversight to ensure compliance. A meeting will be held with the school Principal to ensure all support/booster organizations reports are turned in when due. An internal audit will be conducted by the District Finance Officer to ensure proper separation of funds between staff and students.

Hardinsburg Elementary School

Activity Funds

There appears to be limited separation of funds generated by students and teachers. Money generated from students is required to be kept separate from other funds; accordingly, we recommend more effort be made to do so.

Management Response: An internal audit will be conducted by the District Finance Officer to ensure proper separation of funds between staff and students.

Ben Johnson Elementary School

Annual Reports

The recapitulation and bank reconciliation prepared for year-end did not agree with the general ledger. The bank balance indicated in the report was incorrect. We recommend that future reports be checked for accuracy prior to approval.

An annual financial report was not submitted timely by one of the school's support organizations. The Redbook states that support/booster organizations should report receipts, expenditures, and beginning and ending balances to the principal by July 25 for the year ended June 30. We recommend that more effort be made to obtain the required reports in a timely manner.

Management Response: Proper Redbook procedures will be reviewed for all categories with the principal and school treasurer. Compliance will be monitored through an internal audit by the District Finance Officer. A meeting will be held with the school Principal to ensure all support/booster organizations reports are turned in when due.

**BRECKINRIDGE COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS
FOR THE YEAR ENDED JUNE 30, 2008**

Irvington Elementary School

Annual Reports

A list of accounts payable did not accompany the annual school activity report for the fiscal year. We continue to recommend that a list of payables accompany the annual school activity report as required by the Redbook.

An annual financial report was not submitted timely by one of the school's support organizations. The Redbook states that support/booster organizations should report receipts, expenditures, and beginning and ending balances to the principal by July 25 for the year ended June 30. We recommend that more effort be made to obtain the required reports in a timely manner.

Gaming Account

The Fall Festival funds deposited included both the \$4,400 used for startup money and booth income. Accordingly, there is no indication of the redeposit of the change fund. Cake wheel proceeds were deposited to the regular account, rather than the gaming account. To permit a proper trail, we recommend that the treasurer make a separate deposit for the initial funds and that all proceeds from gaming activities be deposited into the gaming account.

Fundraiser

The proceeds from a school fundraiser were deposited to the General Fund. As the money was generated by students and there was no stated purpose of the fundraiser, the funds should not have gone into the General Fund. We recommend that fundraiser proceeds that are not for a designated purpose be deposited to the student fund.

Management Response: Proper Redbook procedures will be reviewed for all categories with the principal and school treasurer. Compliance will be monitored through an internal audit by the District Finance Officer. A meeting will be held with the school Principal to ensure all support/booster organizations reports are turned in when due.

All Schools

Gaming Accounts

Currently, the gaming accounts are not included as activity funds. As these funds should be accounted for in the same manner as other activity funds, we recommend that the gaming account be included as an activity fund.

Management Response: Proper Redbook procedures will be reviewed for all categories with the principal and school treasurer. Compliance will be monitored through an internal audit by the District Finance Officer.